

Letter from Our CEO

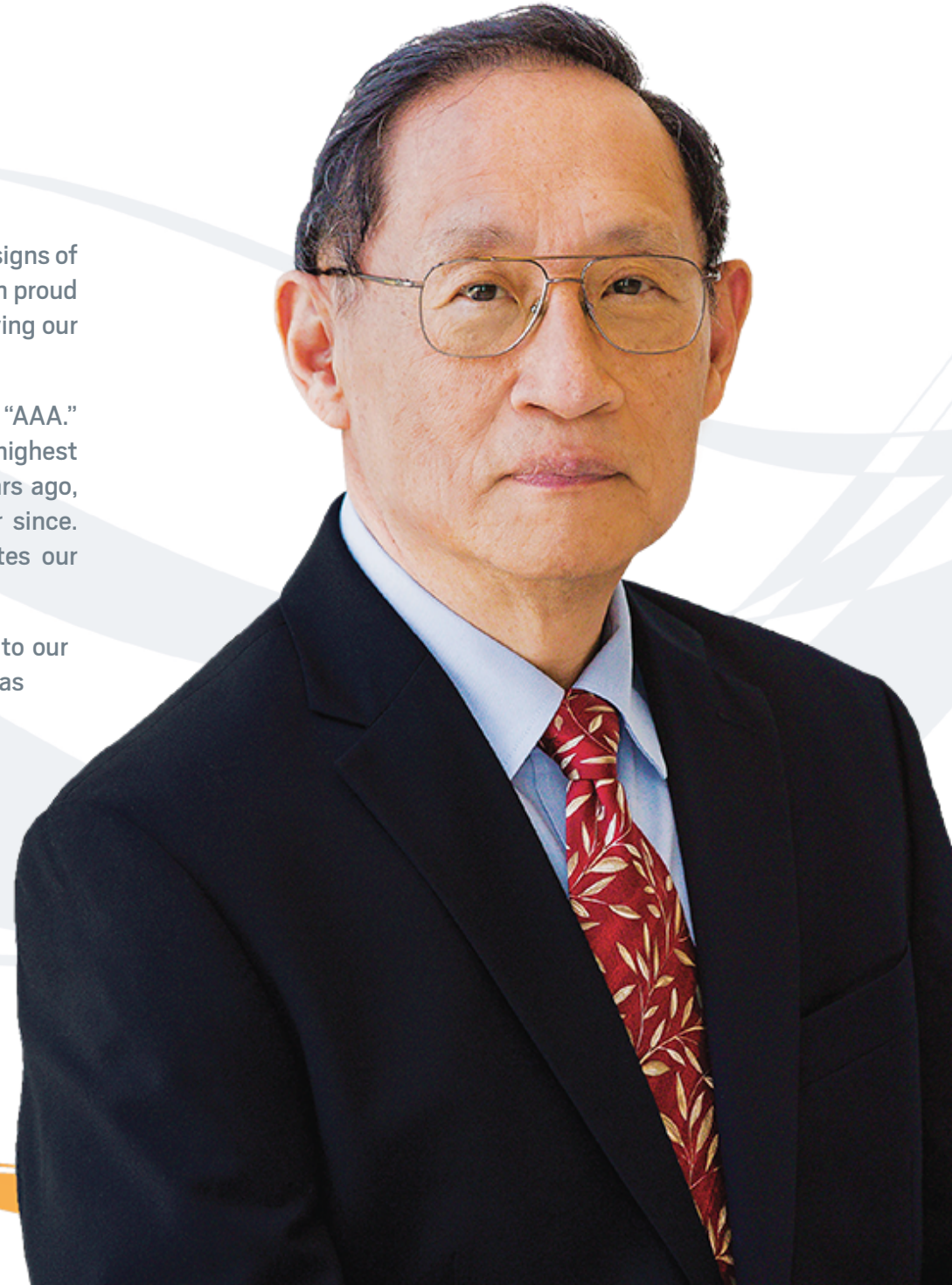
Dear Fellow Stakeholders,

This year marks our fourth Sustainability Report, and we are seeing clear signs of success and maturation. As we navigate a rapidly evolving landscape, I am proud to share the strides that we have made over the past year towards achieving our environmental, social, and governance objectives.

In 2023, MSCI upgraded our ESG rating from “AA” to its highest rating of “AAA.” This latest update from July 4 also placed Energy Recovery as the highest performing company in MSCI’s Industrial Machinery industry. Three years ago, we received a “BBB” rating, and our ratings have improved every year since. This independent recognition of our work is welcome and demonstrates our commitment to consistent, measurable improvement.

As a company, we deliver energy efficiency and operational profitability to our customers. We anticipate that our pressure exchanger technology will act as a key enabler in the transition to more sustainable forms of refrigeration and wastewater treatment, just as it accelerated the adoption of reverse osmosis solutions in desalination. Today, we help our customers across water and refrigeration prevent 17.2 million metric tons of carbon emissions from entering the atmosphere every year, while saving \$5.9 billion in energy expenses.

Applying those same principles of sustainability and operational profitability to our own operations is vital to achieving our company’s growth goals by 2026.



As we lay out in this report, embedding sustainability into our business strategy has improved our operations and helped to prepare us for the future.

We continue to make clear progress on the objectives we first laid out in our 2020 report, and all our high-level goals have either been achieved, are on track, or are demonstrating progress. We see our sustainability objectives as a way to maintain competitive advantage and ensure resiliency in our operations.

At the end of 2022, our Environmental Management System (EMS) was certified to the internationally recognized ISO 14001 standard. By applying this rigorous standard and audit system to our EMS, we are committing to making continuous improvements and holding ourselves accountable. As a next step, we have established a goal to reduce our emissions intensity by 65% by 2026 from a 2021 baseline.

Internally, we are seeing signs that our commitment to sustainability and employee wellbeing is resonating with our employees. In 2023 we once again participated in the Great Places to Work survey and were certified as a Great Place to Work for the second year in a row. Many of the sustainability and safety initiatives that we have put in place in the last year were suggested by employees, which you will see reflected in the stories shared in this report. In addition, we are seeing high levels of employee engagement in safety hazard reporting, a sign that we are succeeding in cultivating a strong safety culture.

We have also made steady progress towards our goal of aligning with the recommendations set by the Task Force on Climate-related Financial Disclosures (TCFD). In last year's report, we published our scope 1-3 emissions for the first time.

This year, we continued to work with a third-party advisor to conduct a rigorous assessment of our climate-related business risks and opportunities and have summarized their potential impacts and our approach in this report. This process has been an important vehicle to assess and prepare for potential vulnerabilities in our operations and evaluate the opportunities that the transition to a low-carbon economy presents our business. As our next step, we will conduct a quantitative scenario analysis to better understand the potential financial impact of these risks and prioritize any necessary investments into mitigation efforts.

Our TCFD work is part of our broader focus on evolving our sustainability efforts as our business evolves, which is why we are embarking on another materiality assessment in late 2023. Similar to the process we undertook in 2020, we will be consulting a wide cross-section of stakeholders including employees, customers, and shareholders to assess their perspectives on which sustainability topics are material to our business. We will then use this insight to refresh our current goals and develop new ones.

Energy Recovery's role in helping our customers achieve reliable, sustainable operations across a range of industries is a source of pride for my team and me. We are equally proud of the progress within our own four walls. With our sustainability strategy in place, we are well-positioned to be resilient in a changing world and ensure a stable foundation for growth.



Robert Mao

*Chairman of the Board, President,
and Chief Executive Officer of Energy Recovery*